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Services Division
European Satellite Committee

Meeting of 19 November 1958

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Present: [REDACTED] S/ED; [REDACTED] 25X1A9a
[REDACTED] S/TF; [REDACTED] S/TR; [REDACTED] 25X1A9a
A/E; [REDACTED] M/AG; [REDACTED] M/FM; [REDACTED] M/NF; [REDACTED] St/I/R; 25X1A9a
[REDACTED] OGI. 25X1A9a

Mr. [REDACTED] S/ED, talked to the Committee on one facet of the economic defense aspect of our Polish policy: the items which formerly were denied for strategic reasons and the volume in which these items have gone to Poland as a result of the relaxation which began in 1957. He first reviewed Gomulka's return to power in 1956, the Hungarian revolution, the unrest in the Satellites, and the resulting NSC directive of October 31, 1956, entitled "U.S. Policy Toward Developments in Poland and Hungary." This directive stated that, "...our objective toward the Eastern European Satellite area has been to encourage as a first step toward eventual full national freedom, the emergence of 'national' communist government." One of the courses of action was "...to reorient Polish trade toward the west and urge countries of Western Europe to do likewise." In 1957 Poland was removed from the list of unfriendly countries for economic defense purposes. The U.S. gave Poland loans of several hundreds of millions of dollars and together with COCOM countries started granting exceptions for shipment of strategic items. Each case is treated on its own merits. It has to be "reasonable and necessary to the civilian economy of Poland." Guarantees are given against transshipment to other Bloc countries.

Mr. [REDACTED] said that the volume of business generated by relaxation on shipments of strategic items has been relatively small, although the percentage gain was large--since items had been almost wholly denied to Poland formerly. In 1956 the volume of IL-I licenses (exceptions) from COCOM was about \$600,000, while the IL-II licenses, mainly for generators and bearings, were around \$500,000. The data on actual volume of deliveries for 1957 and 1958 are not satisfactory, but such as are available indicate that embargoed items licensed in 1957 (AE, ML, and IL-I) amounted to about \$18-20 million, and in 1958 (to November) to \$8 million. For the U.S., the data for the first three quarters of 1958 indicate licensing amounting to about \$4.3 million. About \$2-3 million of exceptions requests have been denied. (Poland's total imports in 1957 amounted to \$1.25 billion, of which \$760 million came from the East and \$490 million from the West.) The items Poland has wanted are aircraft and landing equipment therefor, metals, bearings, machine tools, and electronic equipment.

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25X1A9a The volume of intelligence support required by this program has been fairly large. The justification presented for each exception has to be carefully verified in order to determine if it is necessary and reasonable for Poland's civilian economy; the activity of the end user has to be checked and the present production and availability in the Bloc and in Poland considered. Mr. [REDACTED] gave some specific cases which had troubled the intelligence community. From an enforcement point of view, no violations of the agreement by Poland on transshipments or diversions of items obtained under exceptions have been discovered. Elaborate requirements on this subject have been prepared.

Although the volume of trade resulting from the relaxation has been very small, the net effect has been to aid re-orientation of trade toward the West. Trade in nonstrategic items has increased somewhat, particularly with the U.S., since we have granted loans for sale of agricultural products. In 1954 about 70 percent of Poland's trade was with the Bloc; in 1957 about 59 percent; in 1958 (plan) 56 percent.

25X1A9a Mr. [REDACTED] OCI, then reviewed Gomulka's present status and the political climate in Poland. He said Gomulka is still walking a tight-rope, both in relation to the USSR and the West and in his internal party problems. While he now is at his strongest point since his return to power two years ago, he still does not have full control over the party through which he must rule. He has placed his men in the top party posts in all the voivodships, but below this level, most of the party functionaries are holdovers from the Beirut regime and have little sympathy for Gomulka or his program.

With regard to Gomulka's visit to Moscow in October and November, he said that Gomulka's statements during that visit tend to convey the impression that he and Krushchev reached complete understanding on all problems. However, we have no indication that Gomulka agreed to or has any intention of changing any of the fundamental aspects of his internal program. Gomulka is said to have remarked prior to the trip that its primary purpose was to allay Soviet suspicions.

While the Poles will accept Soviet aid, they will not seek to change policy regarding aid and trade with the West. This policy of continuing contacts with the West is a fundamental part of Polish policy, despite the fact that no Polish leader can say so publicly, least of all when he is in the Soviet Union. An important consideration in our thinking on the matter is that we need to keep a window open into the Bloc, and Warsaw is by far the best place to do it. Warsaw is also very much interested in keeping open a window to the West, even though the Poles cannot say so.

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He said it is important that the Polish people know where the goods we ship to Poland come from, in contrast to the situation in other countries. Our aid has helped individual Poles--who will remember it. Our cultural exchange program with Poland is working well and apparently to our mutual advantage. Ending or curtailing our economic relations would place the cultural exchange program in a disadvantageous position. It seems important to continue and expand trade with Poland for these political reasons, as well as for economic reasons. For one thing, only trade will enable Poland to pay off the present loan. Too, the cultural programs conducted by the Ford and Rockefeller Foundations at no cost to the U.S. government are going quite well and would be adversely affected by a stiffening in relations in the economic field.

The benefits of continuing aid to and trade with Poland are likely to be long-range, rather than immediate. We should realize that we are not going to break Poland away from the Soviet Bloc by our little bit of aid. However, many people now at medium levels of party and government who may be in higher positions later may be influenced to a significant degree by what we do now. The matter should be looked at as an investment which may pay off in the future. In any case, if we slam the window in their faces there is only one place for them to go. The more understanding of the West we can develop behind the Iron Curtain the better off we will be.

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On November 26, Mr. [REDACTED] S/ TF, will talk to the Committee on Soviet aid to the Satellites. The meeting will be held at 1330 in Room 1121 M Building.

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Secretary

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